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Venezuela

Grain and Feed

Grain Trades to be Funneled Through BOLPRIAVEN

2002

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Report Highlights:

As part of its efforts to improve the commercialization of domestic cereals the Ministry of Agriculture announced a new set of measures encouraging the trading of grains through BOLPRIAVEN, the Venezuelan Commodity Exchange.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Caracas [VE1], VE

As part of its efforts to improve the commercialization of domestic cereals, such as rice, white corn and sorghum, the Ministry of Agriculture and Lands (MAT) announced a new set of measures on March 7, 2002 encouraging the trading of grains through BOLPRIAVENT, the Venezuelan Agricultural Commodity Exchange. The measures, published as an Aviso Oficial in local newspapers, refer to a February 21st agreement between BOLPRIAVENT, and the MAT.

The language of the Aviso (see unofficial translation attached) is thin on details, but is intended to resolve some of the ongoing problems with the marketing of the domestic white corn crop. The agreement is to cover white corn that was harvested in the fall of 2001 that has not yet been sold, and will also cover grains harvested during 2002.

The problems with marketing the domestic corn crop stem from its high cost, about \$100/ton above the cost of imported yellow corn, which makes it unattractive to feed manufacturers. The MAT has been trying to get the feed sector to purchase around 300,000 tons of local product since September, and has denied licenses for imports of yellow corn since that time as part of its efforts to force an agreement.

The GOV has linked the issuance of import licenses for yellow corn to the purchase of domestic product, corn and/or sorghum, since 1996. While these are not formally published requirements, the practice is well understood by all in the agricultural sector. However, it has been difficult to verify purchases, and trade in "paper" corn and sorghum in order to obtain licenses has occurred. Since production statistics are also unreliable, the GOV has been seeking a better tracking mechanism, and is now proposing to use the relatively new BOLPRIAVENT as the issuer of authentic grain transaction information. This move towards centralizing and formalizing the procedures for domestic corn purchases in an attempt to avoid a stalemate like the one that existed this year.

In addition, the government has been negotiating with the corn flour and feed industries to establish a price for the purchase of the remainder of the 2001 crop and for the 2002 crop. It appears that in order for sellers to be assured of receiving this price they need to trade their crop through BOLPRIAVENT. It is unclear how this Aviso will affect the remainder of the 2001 crop since most sources indicate it has finally been purchased over the last several weeks at around \$175/ton (Bs.175/kg). The price that has tentatively been set for the fall corn crop is Bs. 195/kg, or about \$195/ton at the current exchange rate.

While some contacts are opposed to this centralization of grain trading, others feel that it could improve information flows and transparency in the market and reduce the amount of "paper" corn and sorghum that is traded. In addition, if the issuance of licenses were to occur immediately and automatically after the purchase of local product it would improve upon the current situation. However, many questions are unaddressed, such as what the absorption ratios will be, what happens regarding licenses when all the local crop is purchased, and how this system relates to Venezuela's WTO obligations.

UNOFFICIAL TRANSLATION

Bolivarian Republic of Venezuela
Ministry of Agriculture and Lands

OFFICIAL ANNOUNCEMENT
Domestic Grains Commercialization

The Ministry of Agriculture and Lands (MAT) informs producers and agroindustries from the productive grain chain (rice, corn and sorghum), that on February 21, 2002, an agreement was made with the Venezuelan Agriculture Stock Exchange (Bolsa de Productos e Insumos Agropecuarios de Venezuela, BOLPRIAVEN S.A.C.A.) for optimizing the trade of grains domestically produced and harvested in the national territory.

The agreement will rule the commercialization of white corn harvested in the 2001 winter cycle that has not been allocated yet and which remains stored in the silos and warehouses authorized by MAT, and the domestic grains corresponding to the north-summer and winter 2002 cycles.

The purchasing-selling transactions of the domestic grains must adjust to the official trade conditions already established, or to those to be established by the National Executive.

To the effects of qualifying as a beneficiary of the commercial or social measures which the National Executive determines or may determine, only the purchasing-selling transactions of domestic grains made through BOLPRIAVEN will be recognized.

The formalities and requisites that must be fulfilled by domestic grains buyers and sellers will be published through cartels at the Ministry state units and at BOLPRIAVEN's offices.

The purchasing-selling operations of the domestic grain crops correspondent to the 2001 winter cycle, and addressed to animal consumption prior to the signature of this agreement must be registered at BOLPRIAVEN, and to that effect they must fulfill the formalities and requisites indicated in the aforementioned notices.

These trade conditions for grains will be in force for one year, starting from February 21, 2002.

Signed by:

Efrén de J. Andrades L.
Minister

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